



STATE PROCUREMENT OFFICE
NOTICE OF REQUEST FOR EXEMPTION
FROM HRS CHAPTER 103D

13 NOV 19 P1:15

STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: Department of Human Services
Name of Requesting Department

SUBJECT: Request for Exemption

Pursuant to HRS §103D-102(b)(4) and HAR Chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction. Request approval to contract System Application Design, Development, Construction and Implementation Services to integrate the Programs of the Benefit and Employment Support Services Division (BESSD) into the new MedQuest Division (MQD) Eligibility Determination Application System (KOLEA). DHS will also integrate Programs and Functions to the extent possible, of the Social Services Division (SSD). See Attached for additional description.	
2. Vendor/Contractor Name : <div style="text-align: center;">KPMG</div>	3. Amount of Request: \$ 35,000,000.00
4. Term of Contract: From: 1/1/2014 To: 12/31/2016	5. Prior Exemption Reference No.: N/A
6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means: Please see attached.	
7. In selecting the vendor/contractor, explain in detail, the process the department will utilize to maximize fair and open competition: The original RFP to select a vendor for the Design, Development and Implementation of KOLEA followed all State procurement processes. The current contractor was selected as a result of the competitive process, required to meet the RFP specifications and comply in a timely manner to fully address the scope of the project. As conceived, the KOLEA project was intended to be the backbone upon which to leverage additional IT functionality to assist the Department and its various divisions as it transitioned from antiquated legacy IT systems to today's more agile, enhanced IT systems. Following an evaluation of the current KOLEA project, the requested exemption is the most efficient and cost effective way to integrate and deploy KOLEA's IT hardware and software to the benefit of BESSD Programs, which are similar in many respects to the processes and flows utilized by the MedQUEST Division. Those SSD programs that can also benefit from the design and development of KOLEA will be integrated into the SSD IT build as well.	

9. Identify the primary individual(s) who is knowledgeable about this request, who will conduct and manage this process and has completed mandatory training. (Type over "example" and delete cells not used)

Name of Department Personnel	Division/Agency	Phone Number	e-mail address
Kenneth Fink	DHS - MQD Admin	692-8050	kfink@medicaid.dhs.state.hi.us
Pankaj Bhanot	DHS - BESSD Admin.	586-5230	pbhanot@dhs.hawaii.gov
Mona Maehara	DHS - SSD Admin.	586-5701	mmaehara@dhs.hawaii.gov
See Attachment for additional Staff			

9. The department shall ensure adherence to applicable administrative and statutory requirements, and all requirements, approvals, and internal controls for this request are the responsibility of the department.

I certify that the information provided above is, to the best of my knowledge, true and correct.

Department Head Signature

Date

For Chief Procurement Officer Use Only

Date Notice Posted

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from date notice posted to:

Chief Procurement Officer
State Procurement Office P.O.
Box 119 Honolulu, Hawaii
96810-0119

10. Chief Procurement Officer (CPO) Comments:

See Attachment 1

☐ Approved

☒ Disapproved

☐ No Action Required

Chief Procurement Officer Signature

Date

Attachment 1

Comments and concerns in respect of DHS request to add scope (\$25M) to the KOLEA Program:

1. Risk. The risk of using two contractors vice one to complete a program does not in of itself provide enough reason to expand the scope, especially when considering the size of the dollar threshold (\$25M). Many successful IT system programs have multiple contractors working together. Naturally, it will entail more concentrated contract management.
2. Intellectual Property. It is not clear from your PE submittals and associated documentation what the situation is with intellectual property, that is, our ownership of the code. If we have ownership of the code, that gives us more flexibility as to what we can do next.
3. OMB versus The Exception. The OMB A-87 purpose states: " This Circular establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (governmental units)." The exception to this as shown in your accompanying documentation states: we are providing a time-limited, specific exemption to the cost allocation requirements..". It's not clear what this exception is authorizing you to do that different from the original OMB?
4. Governance and Management. Gartner has a plan on how they would manage the additional scope given to the incumbent. This plan is something that is more often required when you have multiple contractors or a concentrated contract management plan is required. This plan will work well with one or more contractors.
5. Your request for this additional scope is estimated at \$25M and \$10M in incremental cost if a new vendor is chosen, these estimates were not supported by any costing data. The average exemption amount authorized by the SPO at any one time is \$136,000. This request is 183 times the average and more than what we exempt in a year. SPO feels this program addition should be presented to the CIO and Governor's office to receive adequate technological and political advice taking into account the new CIO's duty is to be integrally involved in any complex IT system decision and that based on the current political climate, we need to assess any political assertions that may currently be unknown.

Further to the documentation submitted for SPO's review, I have several concerns that lead me to disapprove your exemption request as it stands. However, this is a large investment for the Hawaii taxpayer either way, and I want to ensure we do everything we can to use our funds in an accountable, and fair manner that ultimately gives you a successful system that the Hawaiian taxpayer can use.

PE 14-036K

To that end, my recommendation is to:

- 1. Set up a meeting with DHS, SPO, Keone Kali (CIO) and Blake Oshiro (Governor's Office) to find out the technological and political perspectives on this very large dollar program additive.**
- 2. Publish an RFI to determine whether there are contractors in the market able and willing to complete this requirement within the timeframe and other constraints as shown.**
- 3. SPO will allow the incumbent to be the Lead System Integrator (LSI) for the program. SPO will authorize a modification to the contract to expand their scope in this area. This exemption to add scope will only be authorized if the actual developing/coding work is separable from the LSI work, and thus able to be completed by someone other than the incumbent.**
- 4. If the RFI results shows no interest from anyone other than the incumbent, the SPO will authorize a modification to extend the scope of the contract. If the RFI results show interest, a RFP for the development/coding work shall be issued. The RFP should be reviewed by SPO and CIO to ensure all areas are covered in this iteration.**

SPO is committed to helping DHS find a way to acquire what you need within the time constraints and is happy and ready to continue talking through this strategy to get this up and moving.